AUTOMOTIVE MARKETING

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MARKET LINE

The Battery Market: The Big Four Divide Up Battery Distribution

Today's battery market looks as if we're heading for the last act of Agatha Christie's *Ten Little Indians*. Scarcely a year has gone by for some time now when one or another battery manufacturer hasn't been sold or merged with another. Consolidation has left four manufacturers that make up as much as 80-85% of the auto/light truck battery sales in the U.S. Those suppliers, in order of sales volume, are:

- Exide Corp., Reading, PA
- Johnson Controls, Milwaukee, WI
- AC-Delco/GM Service Parts Operation, Detroit, MI
- GNB Inc., St. Paul, MN

To this list we might add two smaller major companies – East Penn Mfg., Lyon Station, PA, and Douglas Battery Mfg., Winston-Salem, NC – to get a true picture of the major suppliers. Although these are not the only companies in the battery business (there are perhaps 40 other regional suppliers such as Standard, Voltmaster, Estee, Prime, etc.), they are the major suppliers.

Interestingly enough, because there has been so much consolidation, several of the analysts we spoke with seriously considered the possibility of regional suppliers consolidating. But, for the present, we can stick to the six major companies to get a picture of battery distribution.

Two suppliers, Exide and Johnson Controls, both have market shares in the 26-30% range. Both claim to be number one. They are bitter rivals.

Exide

Since Exide's current management took over in 1985, it has pursued the retail channel hard. In May 1987, it bought General Battery Corp. (GBC), the single largest private labeler to the retail aftermarket. All those private label customers quickly became Exide private label customers. Along with a private label, Exide could offer retailers a strong, well-known national brand, which had always been lacking at General Battery.

The sales gains by the Arthur Hawkins-led management team are impressive. Starting in fiscal 1986, the new team increased sales by $6 million the first year, $44 million the second, and $66 million in 1988 (in addition to the gain from the GBC acquisition). And, in 1989, the trend continued with a $73 million rise. In 1985, Exide had about a 7% market share; by 1988, with the acquisition of GBC, it was close to 30%.

On March 31, 1987, Exide reported $277.9 million in sales for the fiscal year; by March 31, 1988, Exide reported $652.2 million. Sales for fiscal 1989 were $725.3 million.

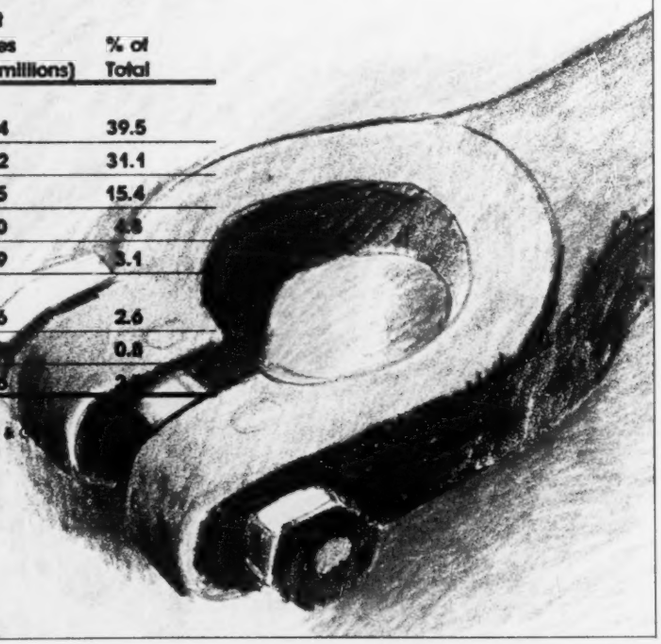
In addition, adroit administration turned losses of more than $11 million in 1984, and about a million dollars in each of 1985 and 1986, to a $17.8 million profit in 1988. On August 31, 1989, management restructured the company, with 49% of the voting interest going to Wilmington Securities, a subsidiary of the Pittsburgh-based Hillman Co.; 29.5% remaining with management; 5% to a subsidiary of the Chemical Bank, New York; and the rest split up among non-management holders and a partnership formed to do the restructuring. The complicated transaction will give Exide substantial new cash and an improved credit agreement.

REPLACEMENT BATTERY DISTRIBUTION IN 1988

Mass merchandisers, such as Sears, K mart, etc., are the largest single distribution channel for replacement batteries. The gas and oil companies, which were responsible for close to 20% of the market in the 1960s, have shown the greatest decline.

Segment	Unit Sales (in millions)	% of Total
Mass Merchandisers	24.4	39.5
Battery Specialists	19.2	31.1
Parts Distributors	9.5	15.4
New Car Dealers	3.0	4.8
Tire Stores	1.9	3.1
Gas & Oil Companies	1.6	2.6
Fleets	0.5	0.8
Others	1.6	2.6

Sources: Battery Council Intl. & C



As a competitor noted, "They still have all those customers out there, and all these sales, and if money were their only problem, they should have no worries. The Hillman Co. is well-financed."

Exide has introduced what it terms the next generation of powerful dual-terminal passenger car batteries, the Exide 1000™. The company has designed and manufactures a battery with 1000 CCAs (cold cranking amps) for starting capabilities, for the most severe climate conditions.

The Exide 1000™ is designed to fit both traditional and reversed top terminals, as well as side terminal applications. All four terminals are equipped with durable plastic caps to eliminate the risk of shorting. The Pack-Tite™ plate construction provides protection against damage caused by vibration. Computer-designed Turbo-Radial Grids combine center lug construction with a radial pattern providing higher initial starting power during the critical first five seconds of starting. The Exide 1000™ provides an extra 125 minutes of reserve capacity needed by on-board accessories, computers, and emergency power needs.

Johnson Controls

Johnson Controls was the single largest supplier for more than 20 years with only three big customers: Sears, Interstate, and NAPA. Sears, through the mass market, and Interstate through installers, are the two largest retailers of batteries in the country. Both sell about seven million batteries a year. NAPA sells a little more than two million batteries a year through its 6,500 jobber outlets. With three customers like that, Johnson Controls didn't need much more.

However, when Exide bought General Battery (GBC), it gained an entree to NAPA through GBC's small piece of the NAPA battery business. By 1988, Exide had sold NAPA on single sourcing through Exide.

Along with a pipeline to NAPA, the GBC acquisition added $309.8 million worth of sales to Exide's balance sheet at a cost of only $143.4 million.

By comparison, Johnson Controls reported battery division sales of $651.1 million for the year ending on September 30, 1988. Although the latest sales numbers are not out yet, projections put sales numbers at about $725 million for the year ending September 30, 1989.

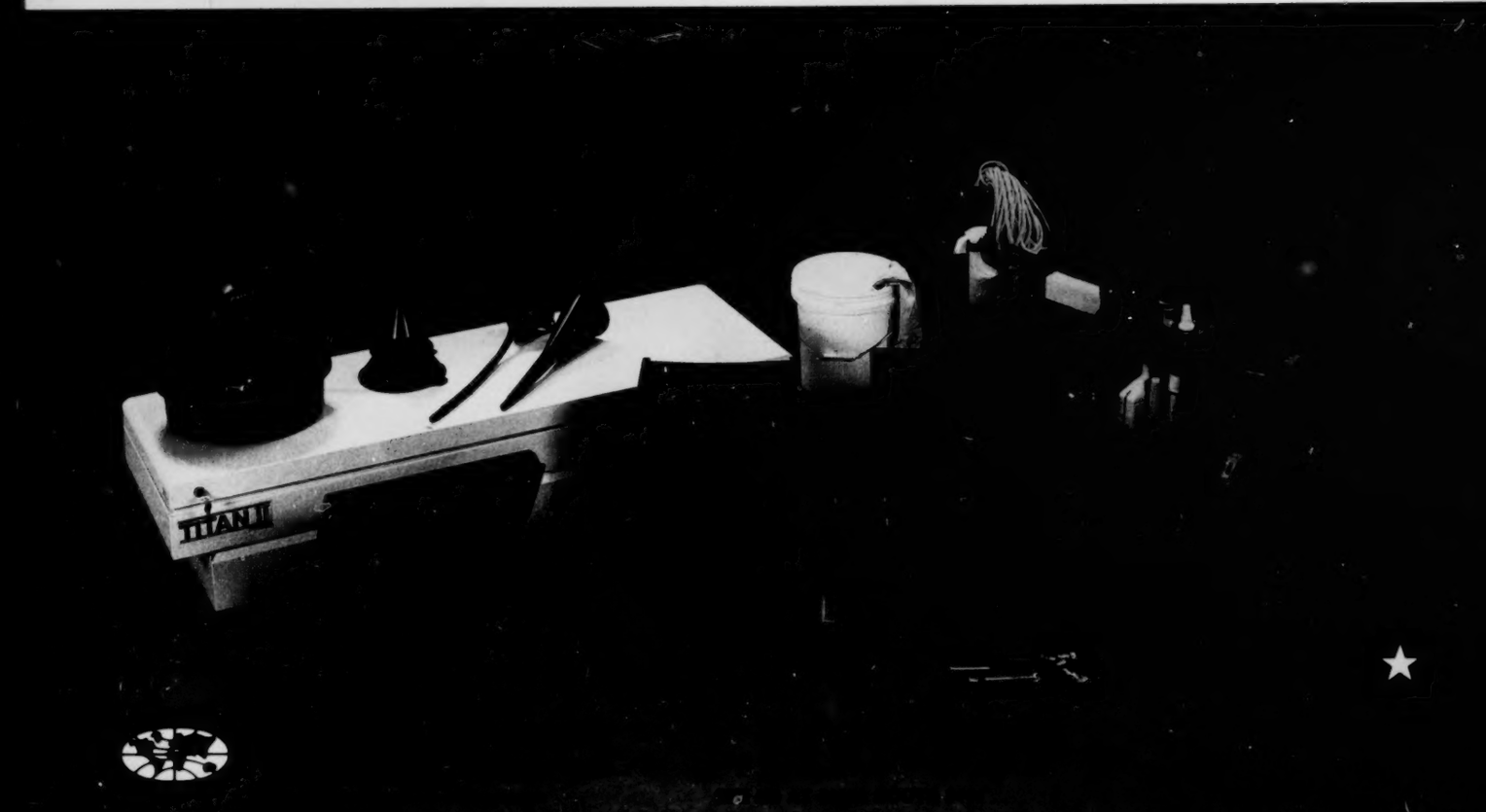
Although the sales figures and market shares are extremely close, the two companies have radically different strategies. Johnson Controls is now the single supplier to the Ford Motorcraft replacement business.

As a competitor noted, "They have a broad base strategy. Sears for the mass market, Interstate for the battery specialists, and Motorcraft for the OE business."

Along with Ford, Johnson also sells batteries to all of the Japanese transplant operations, and competitors say the OE connection may be an important step in future sales. "A growing number of people look at the battery in their car and want to replace it with one just like it."

Johnson also has all or part of the Wal-Mart (about two million units), TBC (about two million mostly through its Battery Associates subsidiary), and Goodyear (about half a million batteries sold a year) battery business. And, the acquisition of Western Auto by Sears has put the Diehard into Western Auto company stores (about 450) for further sales.

CONTICO TUFF! Automotive



In addition, the company unveiled its Everstart battery at this year's APAA Show. The Everstart battery utilizes what amounts to two batteries in one package so that a car can always be started simply by throwing a switch (GNB also introduced a similar battery). While competitors quibbled about whether the low CCAs of the second battery could start a late model car in cold weather and the high price (about $130), they all conceded it was a superb marketing and advertising job. It will be Johnson's first national brand, sold as a one SKU line.

AC-Delco

The number three and four companies in the market are both aggressive competitors. For instance, AC-Delco has about a 14-18% market share and wants more. Delco has always had a good chunk in the traditional business simply because of the strength of the Delco brand and advertising. Recently, the company has done well selling to the warehouse clubs that are springing up all over the country.

One reason is Delco's mobile truck programs that allow smaller purchases (as few as 150 units or 4,000 lbs.) than other suppliers who require 500 units or more, or complete truck loads, to get the lowest price. The customer is shipped every week and orders can be processed as quickly. For customers, it means less inventory to carry in the warehouse, and an assurance of better controlled shelf life. In a market that requires service, it has many advantages.

However, on the down side, the Delco program offers a much lower gross margin, about 14% as compared to about 25% through other manufacturers. "It's a unique way of doing business," a competitor said. "It's difficult to run, and it's costly. But Delco's got a good consumer name, and a lot of WDs think they have to carry it. Jobbers like it more than WDs."

On the retail side of the market, Delco has been making some aggressive moves. This year, the company replaced Exide as Western Auto's supplier. Delco also took over the Nationwise business.

GNB

The smallest of the big four battery companies is also the newest. Pacific Dunlop, which previously bought Chloride, merged with GNB. Now known as GNB, the company's world-wide sales were $631.4 million in fiscal 1988 which ended on June 30, 1989. We put its market share at 12-16%.

Competitors think GNB is a company to be watched carefully. "Money is the most significant aspect," one said. "Pacific Dunlop has a lot of it. It owns the largest auto parts chain in Australia. It bought Chloride and still wasn't satisfied. It wants to be a major factor in the American market, and is beginning to buy up battery specialists. Just in the past six months, it's bought Southern (New Orleans) and Standard (Portland, OR) and another one in Denver. That seems to be a direction: controlled distribution through specialists."

Another observer said, simply, "GNB's gearing up to do store door deliveries like Douglas, only on a national scale."

Although the battery specialist has been the fastest growing segment of the distribution channels in the 1980s, the specialist has also undergone a price and profit squeeze in recent years. "The spe-

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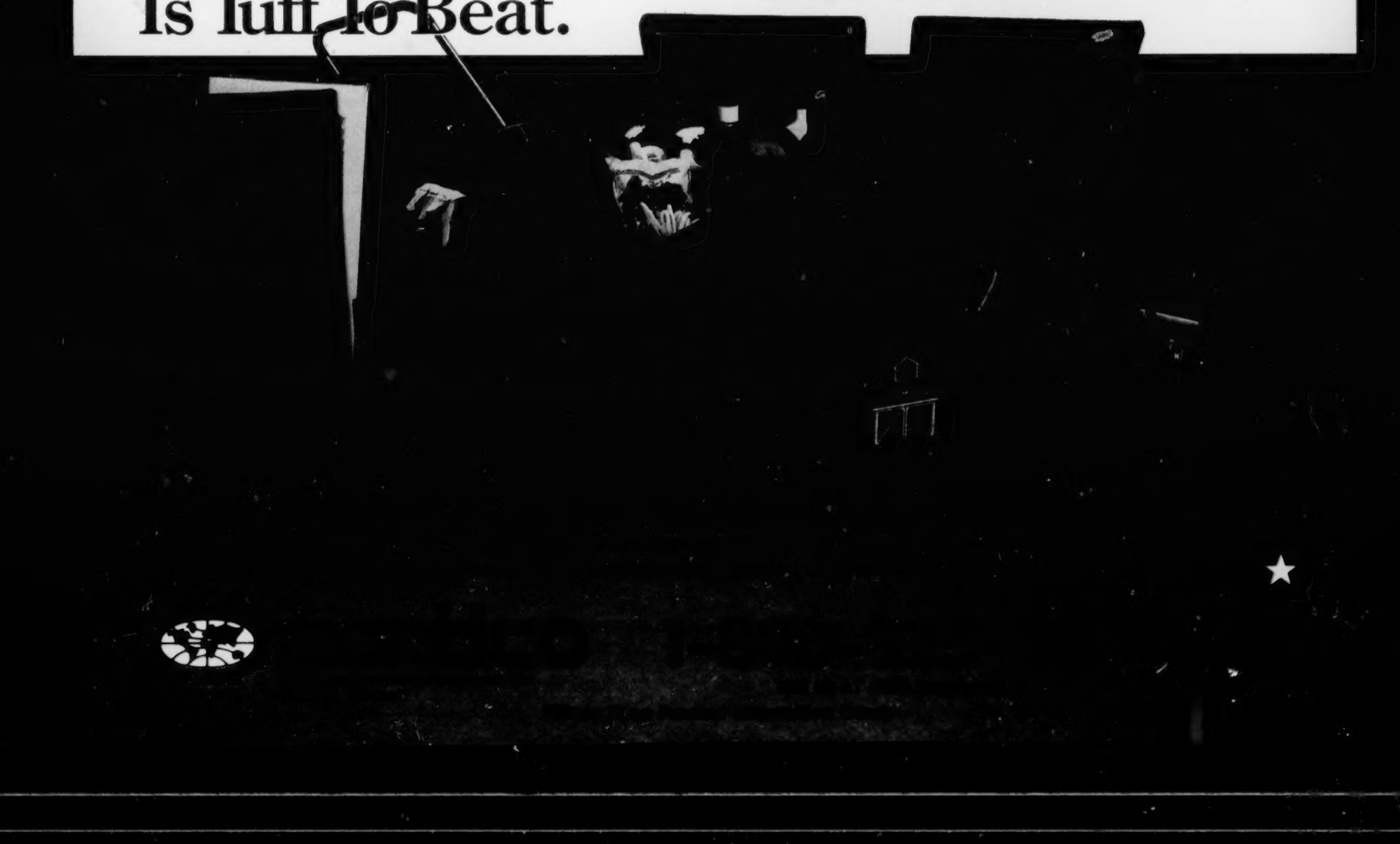


cialist was able to keep his prices down because of junk (used) batteries," one executive noted. "That was a large portion of his profits: picking up junk batteries for a buck or two, and selling them $4-$5. But the junk price is going away." As a note, the junk price on October 4 was 6-8 cents a pound which puts the junk price at much less than $2. "Previously, specialists could sell cheap because they made money on both ends of the trip. Now, a lot of them are not in the best financial shape. So, buying out specialists might be one way to expand your market quickly."

Along with specialists, GNB also has some interesting customers. For example, GNB is OE to Ford, although Johnson Controls makes Motorcraft replacement batteries. GNB also sells the Champion brand, licensing the Champion Spark Plug Company logo.

This summer, GNB introduced the Champion Switch battery before the APAA Show. The battery, like the Johnson Control's Everstart, is also aimed at never leaving an owner unable to start the car. It's priced a bit under the Johnson Controls Everstart at $109.

And so it goes in the battery business. Bitter competition. It's a good time to be buying batteries. ■

BATTERY PARTS PROLIFERATION

Although the total number of battery SKUs for cars and light trucks has remained at about 60, retailers must stock more of the 60 SKUs to cover the same percentage of vehicles. As this chart shows, in only six years, the percentage of sales covered by the top five size groups/part numbers has declined from roughly 78% to roughly 60%. To cover 77% of sales today, a retailer must stock the top ten part numbers. The top five battery part numbers in 1988: 24, 24F, 26, 70, and 74.

Year	% Of Sales Total By Top Five Part #s
1983	77.7
1984	75.3
1985	67.9
1986	64.8
1987	62.8
1988	59.6

Year	% Of Sales Total By Top Ten Part #s
1983	89.9
1984	86.8
1985	82.1
1986	78.5
1987	76.2
1988	76.5

Source: Battery Council Intl.

APS & Steego Chain Change Hands

Two major warehouses changed hands last month. The sales had been anticipated for some time.

Parts Depot, Roanoke, VA, backed by Wolfensohn Ventures, a Cleveland investment firm, acquired Steego Auto Parts, West Palm Beach, FL. The sale was of Steego's U.S. holdings, including ten warehouses and 72 stores (Steego still owns McKerlie-Millen, the largest WD in Canada).

Down in Texas, the New York investment firm of Clayton & Dubilier financed a management buy-out of the APS (American Parts System), Houston, for $200 million.

The Parts Depot purchase seems to be part of what we might call the "Interstate 81 Nexus." There are now four very big companies along a 75-mile stretch of I-81 between Staunton and Roanoke, VA. In the past two years, Art Fisher has expanded Fisher Auto Parts, Staunton, to eight warehouses and 150 owned jobber stores. His last big purchase was the Altoona, PA-based ASC/AWI chain of 21 stores and warehouse. Total Fisher sales are in the $80 million range.

A few miles down the road in Roanoke are Advance Auto (number ten on our top 100 chains; 150 stores/$85 million sales), one of the fastest growing megachains, and Floyd Percy's new RPM buying group which represents 16 retail chains with about 210 stores and roughly $150 million in sales.

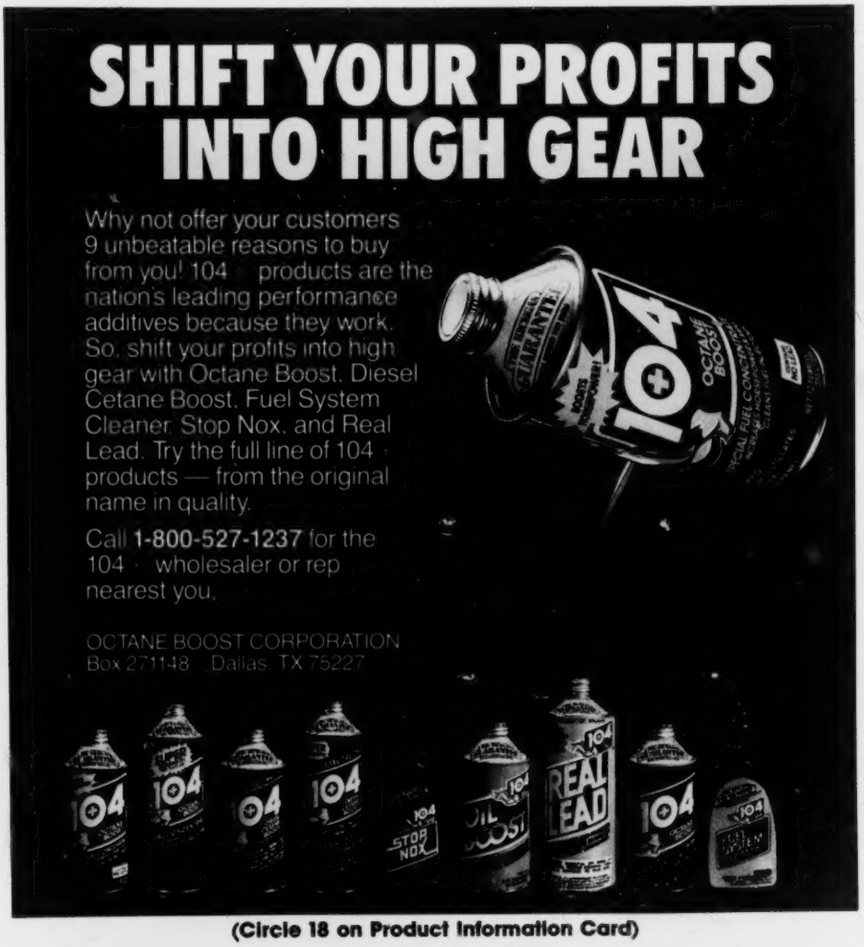
Parts Depot/Steego

And now, Parts Depot, a $70 million WD selling to about 1,100 independent jobbers, has more than doubled its size. Steego U.S. sales were $77.1 million for the year ended April 30, 1989.

"I'd prefer you don't compare me to Cardis," chairman Rollance Olson said when we talked about quick growth. "But it's big enough to get a little respect."

Olson, who was with Bendix and Raybestos before buying Parts Depot, said the mix between Steego and Parts Depot was the key. Steego owns four Florida warehouses while Parts Depot owns three. Steego also owns 28 jobber stores in the Sunshine state, 11 of which are paint and body equipment specialty stores.

"South Florida is a damn good market," Olson said. "There's a lot of cars; nice, steady population growth; and the right kind of demographics." But perhaps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the largest benefit from the sale is the elimination of Parts Depot's fiercest competitor for Florida installer business.

Outside of Florida, Steego adds four distribution centers and 42 New England jobbers, and two distribution centers and two jobber stores in Ohio to Parts Depot's Roanoke warehouse.

Steego is a major player in the Maine market, Olson noted. "The emphasis is on wholesale sales. But obviously we want to entice retail business. But we're not planning on making a run at Pep Boys or anything. We just want to eke out a decent living."

At Wolfensohn, Mike Kestner said Wolfenson is not a high-tech investor. "We don't understand lasers and that kind of thing. We're more interested in mundane technologies. We see exciting things in auto parts."

Steego has been on the market since March, when Industrial Equity (Pacific) Limited (IEP), based in La Jolla, CA, but controlled by Sir Ronald Brierly, a New Zealander, decided to sell it off. IEP, despite paying $62 million for control in September 1988, felt it didn't offer the rate of return it wished. Steego insiders were a bit surprised at IEP's decision.

"Based on their track record, they tend to hold positions they've taken," said one. Steego lost about $4.6 million between 1984 and 1987. However, in 1988, total company sales were $215 million and the company showed a $270,000 profit.

LBO At APS

APS was another company that's been rumored to be for sale for some time now. It was the most profitable of Wicke's, Santa Monica, CA, aftermarket companies (which include Guaranteed Parts, Sorenson, and Vera). Profits for 1988 were less than $20 million on sales of $360 million. Sales this year should be about $380 million.

Clayton & Dubilier, flush from a $690 million sales of Uniroyal-Goodrich Tire to the French-owned Michelin Group, paid $200 million for APS. APS operates the second oldest program (since 1963) to NAPA and has shown consistent, if moderate, profits each year. It operates 30 distribution centers from its Houston headquarters, serving about 1,400 independent stores, and 109 company-owned jobbers in 48 states.

Until 1988, the company had followed a slow, steady acquisition pattern of its own, adding about a warehouse operation per year. In March 1988, however, president Fred Pisciotta left the company, reportedly following the refusal of Wickes to acquire Distributor Sales, Pittsburgh. Shortly afterward, Pisciotta bought Distributor Sales himself. The acquisition mode may return at APS: Martin Dubilier, CEO of Clayton & Dubilier, predicted APS could add 750 new jobbers in the next five years.

APS president Richard Spelleri also said the new owners plan to dramatically increase the number of Big A customers. "There's a way to do that without necessarily buying stores. There're thousands of towns without a Big A store. Outside of NAPA, all the other groups are really coops without the kind of consistent services Big A offers jobbers. The kind of program a jobber gets depends entirely on the local WD. There are several thousand stores close to joining or changing a program. We may win them over. But we have no specific targets," Spelleri said.

Although he sees little changes in day-to-day operations, Spelleri does expect to increase the percentage of Big A products sold under private label from about 67% to about 80%.

Commenting on the sale, several WDs thought the $200 million price for APS was too high. "The book value's more like $120 million," said one. "Of course, the sale may not be cash. It may be funny money and paper that says 'Convertible to', 'Face values of', 'If, subject to' and things like that. If that's the case, that's all right."

Buddy Tankersly, president of Parts Inc., Memphis, TN, a company that's been growing rapidly in recent years, had a close interest in both sales. "We turned down Steego," Tankersly said, "because they wouldn't unbundle the chain. We wanted Ohio and Florida, but we didn't want New England. Or Canada. I'm not surprised that a banker bought APS. But I would have been very surprised if an operating company bought it. It's extremely over-priced at $200 million." ■

Western Auto Plans Import Parts Sales

Western Auto's mission statement says, "We are going to solve our customer's automotive problems. Primarily with DIY parts and secondarily with service," and that is exactly what the 1,850

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MARKET LINE

store (450 company owned, the rest associate stores) chain intends to do in the future, according to president John Barlow.

Barlow recently spent some time talking about service, installation, import parts and the future of his Kansas City, MO, based chain.

"You can't do this and look at two distinct markets, one import and one domestic. You have to look at everything on the road as a car," Barlow said.

Barlow conceded that Western Auto Supply, along with other retailers, had been slow to realize the potential of the import parts market.

"In 1981, we began converting stores in Kansas City. We got caught up in conversions, and the great growth of domestic parts sales. Frankly, we simply didn't realize the potential of import parts. From 1986-89 we had double digit comparable store sales. But in 1989, sales are soft and back in the single digits. The domestic parts market is stabilizing. For retailers used to expanding markets, that's frightening. If you can't have 10% growth, you can't have profits. But there's a new opportunity in import parts sales to an aging import fleet."

IMPORT PARTS SALES BY DOMESTIC MANUFACTURERS

Domestic parts manufacturers are increasing sales of replacement parts for imports, according to a continuing survey by Easton Consultants Inc., Hopkinton, MA.

The lastest survey shows sales have more than doubled since 1982. In addition, in 1988, survey respondents reported that 71% of their import parts were made in the U.S. rather than re-boxed from foreign suppliers.

Year	% Of Sales For Import Vehicles
1988	14.5%
1987	13.7
1986	11.3%
1985	9.3%
1984	8.2%
1983	7.0%
1982	5.9%

Source: Easton Consultants, Hopkinton, MA

The Import Fleet

The import fleet will include 26 million vehicles older than four years by 1991, according to the Frost & Sullivan projections cited by Barlow. "But the retail chains are not participating in import sales," Barlow noted. "If you take out filters and plugs, in 1986, import parts sales made up 2.7% of our business. Now, it's 5.3%. If you add in filters and plugs, it's closer to 12%. So the potential for in-

creased sales is there."

Barlow noted that Western Auto's 2,800 service bays give the chain an advantage over chains without service. Such "dry" chains, Barlow said, will have a difficult task as DIY rates decline. He predicted more wholesaling by retail chains.

For Western, the major driving force for growth will be in service and installation. Presently, almost 60% of Western's service sales are in tire and services such as alignment. Barlow believes this will change. "Many services done by specialists can be lured away to our service centers. Only Midas is entrenched. In the future you'll see the other service segments attacked by chains."

Western projections call for doubling the chain's business in such service segments as shocks and struts, and starting and charging.

"We may focus on water pumps, generators, and starter motors. There's no specialist with name awareness in that area. You put those parts together with a Diehard battery (Sears private label) and where would you go for starting and charging work?"

A Problem Remains

One problem remains, however. Can Western Auto get the parts to service import cars and sell import parts over the counter?

"I don't know, I have over $1 billion in sales and the foreign OEs aren't approaching me to sell their parts," Barlow half-joked. "Foreign OEs are probably not going to sell us direct. We're probably going to aggressively try and source import parts directly. Sears has joint ventures in Japan. Right now, we're with IAPCO, but I don't know how long that will last. Domestic vendors' coverages have been incomplete until now. The sources we align ourselves with must be complete in their lines like Raybestos and Monroe are. I think we will still use an importer for everything we can't source directly. Maybe some buying from OE dealers. If we break one major OE supplier, we may change the attitude."

Barlow noted that some difficulties lay ahead. "We have to recognize that initial results will be lower. It must be a strong commitment of at least 18-24 months to develop business. We have to develop a slow moving parts availability. I hate to say no to a customer. We have to fix the customer's car. We have to serve the customer in a timely manner," Barlow said. He stressed the need for 24-hour parts availability through special order programs.

Since Western is in a catch-up mood with customer awareness of import parts availability, Barlow noted that it will be an expensive process to build this awareness. "It's going to take some time and expensive advertising to increase customer awareness along with the costs of inventory and training. We want to try and leverage our suppliers to help pay for this."

Barlow stressed that Western Auto was "anxious to find new and renewed vendors with systems and commitments, especially for training." He called people the retailer's "Achilles heel. The biggest problem to solve is people. We have a 10% turnover in managers, 150% turnover in cashiers, and a 50-60% turnover on the parts counter."

While installer training is critical, Barlow said Western would not pay vendors more for state-of-the-art training. "We provide distribution. Vendors must offer services." ■

WESTERN AUTO SERVICE PROJECTIONS

Western Auto sells over four million tires in 1,300 service bays so tires are a primary source of auto service receipts. However, Western president John Barlow said the chain is on a drive to compete with service specialists for other kinds of business. By 1993, Western expects tire sales and services to decline from about 56% of service sales to about 49% of service sales.

Type Of Service Work	% of Western Auto's Service Receipts In 1989 (Est.)	In 1993 (Projected)
Tire Service	38%	33%
Alignment/Tire Repair	18	16
Brakes	14	20
Cooling System	4	6
Starting & Charging	4	5
Shocks/Struts	3	5
Oil Changes	3	2
Other	16	7

Source: Western Auto

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CLEAN AIR LEGISLATION

Is Aftermarket Lucky On Friday The 13th?

A meeting of industry associations involved in the Coalition for Auto Repair Choice (CARC) held in Washington, DC, Friday, October 13th, promised hopes of eventually producing a united industry front in the clean air legislative fight. However, participants in the meeting fell short of picking a single bill to back.

It was a "positive meeting," according to William A. Raftery, president of the Motor and Equipment Manufacturers Association (MEMA), Englewood Cliffs, NJ. "Everyone agreed on a series of issues and an approach that involves areas of pending legislation that are best for the industry," he said.

Currently, the associations in CARC are split between supporting different clean air bills now being considered by the House Committee on the Environment and Public Works. The two bills are sponsored by Rep. John Dingell (D-MI) (H.R. 2950) and Rep. Henry Waxman (D-CA) (H.R. 2323). Warranty provisions differ in the two bills.

As far as specific results of the Friday the 13th meeting, Linda Hoffman, vice president, government affairs and trade, Automotive Parts and Accessories Association (APAA), Lanham, MD, said, "I think that what we agreed to do is meet and continue to meet. ASIA (Automotive Service Industry Association) and MEMA are not abandoning Dingell and we're not abandoning Waxman. We're assessing political realities. We might convince both Dingell and Waxman to negotiate in committee before anything gets to the floor."

Furthermore, Hoffman said, "Nobody at the meeting suggested Dingell had the votes or the power. We (at APAA) believe Waxman has the votes and the political winds favor him strongly. They (Dingell and Waxman) have already finalized an agreement on the car company issues. Some experts say the car company issues were more controversial (than the aftermarket issues). That was voted out of the subcommittee, 22 to nothing, to go to a full House floor vote. Waxman had the votes even in Dingell's own committee to overturn the car companies. Dingell is a superb vote-counter. Dingell met with the car companies and told them he had held off the debate on clean air legislation since 1977 and he couldn't do it any more. Everyone knows that clean air legislation is coming."

However, when it comes to provisions that affect the aftermarket, Hoffman said, "They (Dingell and Waxman) could not agree on our issues. They'll ultimately face off in committee or on the House floor."

Don Wilson, director of government affairs at the National Tire Dealers and Retreaders Association (NTDRA), Washington, DC, was unable to attend the meeting. However, he said that although his group has not formally endorsed either proposal, he and his staff had worked closely with CARC and the Dingell staff in preparing H.R. 2950. "We like the numbers," he said, referring to the Dingell bill. "They look preferable."

Wilson feels that what actually emerges from the House committee will be "a mixture of a variety of ideas" taken from both Dingell's and Waxman's bills. "We'll decide what we'll do when we see what actually comes out of the committee," Wilson said.

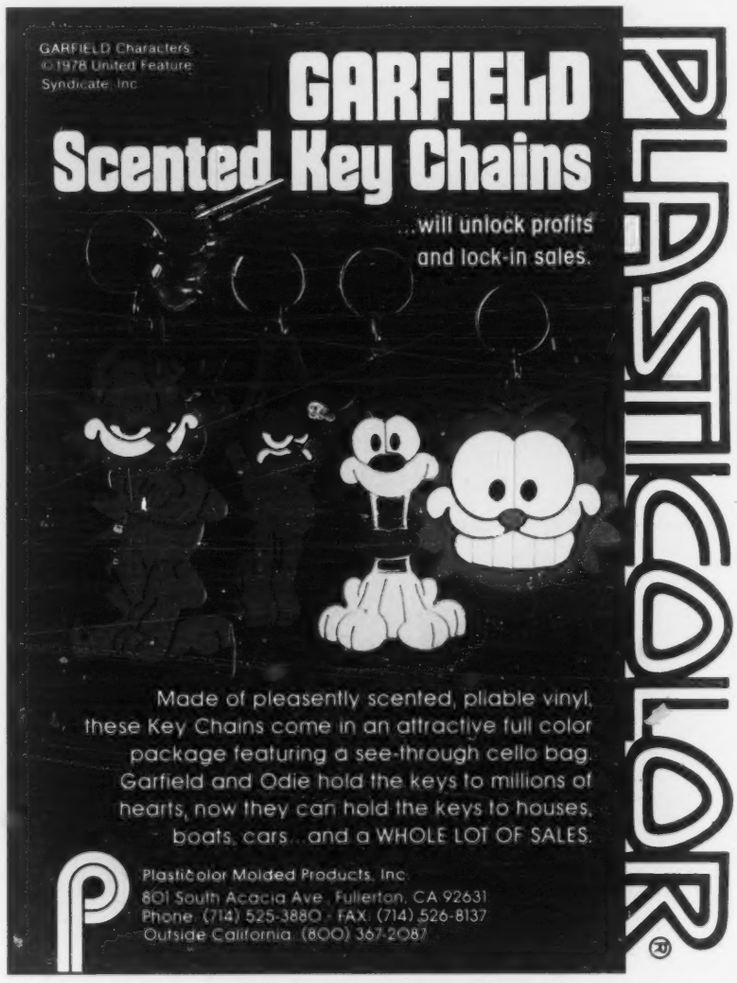
Another meeting to continue discussions was planned for October 20. ■

A/K/A:

Here are the number of cars made by foreign makers but sold under domestic nameplates in 1988.

Car	Number Sold	Maker & Country
Prism	96,868	Toyota/GM (Joint venture)
Plymouth/ Dodge Colt	79,885	Mitsubishi (Japan)
Ford Probe	77,763	Mazda/Ford (Joint venture)
Ford Festiva	69,167	Kia (Korea)
Geo Spectrum	68,347	Izuzu (Japan)
Pontiac LeMans	64,037	Dae Woo (Korea)
Mercury Tracer	58,921	Ford (Mexico)
Geo Metro	48,088	Suzuki (Japan)
Plymouth/Dodge Vista	19,439	Mitsubishi (Japan)
Ford Merkur	15,261	Ford (Europe)
Grand total	**629,129**	

Source: Ward's Automotive Yearbook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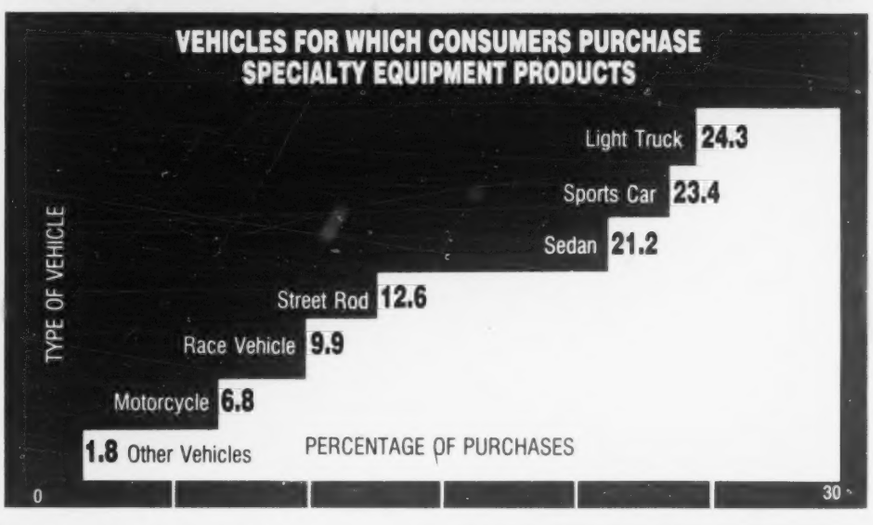


Call it what you will, the performance market continues to grow. And the competition is heating up.

by **Edward L. Kaufman,**
Contributing Editor

Edward L. Kaufman is president of Lindsey-Kaufman Co., a marketing consulting firm specializing in the automotive and truck aftermarkets. Inquiries for additional information should be sent to him at: Lindsey-Kaufman Co., 53 Hamilton Place, Tenafly, NJ 07670, (201) 567-6158.

Call it the "performance market," or the "specialty equipment market," or the "automotive enthusiast market," whatever; it has been a lifesaver for automotive retailers in 1989.

In a year in which sales of many replacement parts and non-discretionary items have been sluggish, manufacturers and retailers alike report brisk sales of products that modify vehicle performance, improve vehicle appearance, and improve vehicle handling. This includes accessories for light trucks (vans, pick-ups and ATVs) as well as passenger cars, imports as well as domestic vehicles.

According to the 1989 market study done for the Specialty Equipment Market Association (SEMA), Whittier, CA, the specialty equipment market for cars and light trucks rose (at manufacturer level) from $1.7 billion in 1985 to $2.4 billion in 1988. That's an increase of over 12% per year for the three year period. SEMA does not estimate retail sales, but applying the usual markups would put retail sales in the range of $4.3 to $4.6 billion.

However, the market may be even larger. Mike Burroughs Associates, Nashville, TN, an ad agency which specializes in this market, estimates that retail sales were in the range of $6-7 billion in 1988. Burroughs says, "We conduct extensive surveys among consumers for our various clients and we let the consumer define the market for us."

Burroughs' most recent surveys indicate that the growth of the specialty aftermarket slowed considerably in 1989, running at a 4% annualized growth rate compared to the previous growth of 12% per year. Although Burroughs differs with the SEMA study on market definition and total market size, he concurs with a SEMA finding that volume retailers have been gaining share of the market.

The Chain Stores Growth

Since 1982, automotive chain stores have gained share of the specialty aftermarket by stocking, displaying, and advertising performance items. Not only bolt-on accessories for pick-ups, vans and ATVs, but also performance tires and wheels, performance suspension, accessory lighting, and a host of dress-up items.

Retailers did even better if they stocked true performance items such as cams, lifters, and headers. And retailers who did the best employed sales personnel who speak the language of automotive enthusiasts and who can give advice on installation. And they did better yet if they provided on-site services for installation.

One reason for the importance of installation services is that performance tires and wheels account for more than 40% of the market. People who spend $1,000 and more on a set of performance tires and wheels expect highly profession-

al mounting and balancing.

Another reason for emphasizing installation is that, because of demographic changes, more and more specialty customers want to have their add-ons professionally installed. Some customers feel nervous about drilling holes in their vehicle bodies to attach racks, rails, and running boards, or cutting holes for pass through windows or sun roofs. And others with the know-how lack the time.

Chains $ Sales Dollars

SEMA's 1989 study indicates that in 1988, automotive chain stores accounted for more than 16% of specialty sales. The manufacturers surveyed by SEMA expect the chain stores to account for more than 17% of specialty equipment sales in 1990 and 1991. SEMA's survey of performance retailers indicates they rate automotive chains second only to mail order outlets as their strongest competitors.

Automotive chain stores have been gaining share of the specialty market partly because of the price advantage resulting from their volume purchasing power, partly because their outlets are much more numerous and accessible than those of performance retailers, and partly because they stock a high percentage of the items wanted by most shoppers for specialty products.

Whereas customers know that they can obtain nearly 100% of what they are interested in from full-line performance retailers, specialists are not to be found in every town or neighborhood. Proximity of the outlets and visibility of the merchandise are important factors in specialty equipment sales, a fact strikingly demonstrated by Echlin's Accel line of ignition parts. Although Accel did well when it was confined to specialty outlets, its sales zoomed when it was placed in chain stores like Chief Auto Parts. One of the most interesting findings of the 1989 SEMA study is that nearly six out of ten specialty consumers "would increase their purchases if these products were more readily available."

Response Time A Key

Along with availability, in the fast moving specialty aftermarket what counts at both the manufacturer and retailer levels is sensitivity and prompt response to the interests of specialty customers. This is a business based on innovation, novelty, and fashion trends. About 30% of the products sold in 1988 were new to the market. To succeed at the retail level in this business, stores need buyers and merchandise chiefs who are up-to-date on trends and who have authority to make timely buying decisions.

Although the last SEMA study shows automotive chain stores gaining share of market, some manufacturers see troubles ahead for chains because of mergers, acquisitions, and corporate reorganizations. Concentration of purchasing power is one thing, but concentration of purchasing decisions is another. These manufacturers believe that a few of the largest chains are beginning to lose touch with the specialty market because of relocation and centralization of buying offices and buyers.

A parts importer, admittedly oriented to marketing via import specialist jobbers, also sees problems ahead for retail chains in the hard parts market generally (not merely for performance applications) because of proliferation of SKUs.

Lower profits on chemicals and other fast-turning merchandise, he said, is causing many chains to seek larger profits in hard parts.

"The chains have discounted Armor All so much that they've been giving it away. So some chains are moving to a well-stocked back shop. In addition, theft is a tremendous problem; that's why the packaging is so much larger than the part. Stores are moving their 'prescription parts' (those that will only fit a specific application) behind the counter. The line between retail and traditional methods is blurring with retailers like AutoZone. Pep Boys is changing, putting more emphasis on installation. With these retailers the trend is away from prescription parts out front," the parts importer said.

"The retailer has to face an information overload of parts proliferation," the importer said. "There are only three domestic car makes but 29-31 makes of imports. Toyota has more product differentiation than GM and more engine formulas than GM. Since 1965, Toyota has had 12 different engines; eight of them are in the 1980s. Because of these trends, we are going to see a resurgence of the true specialist."

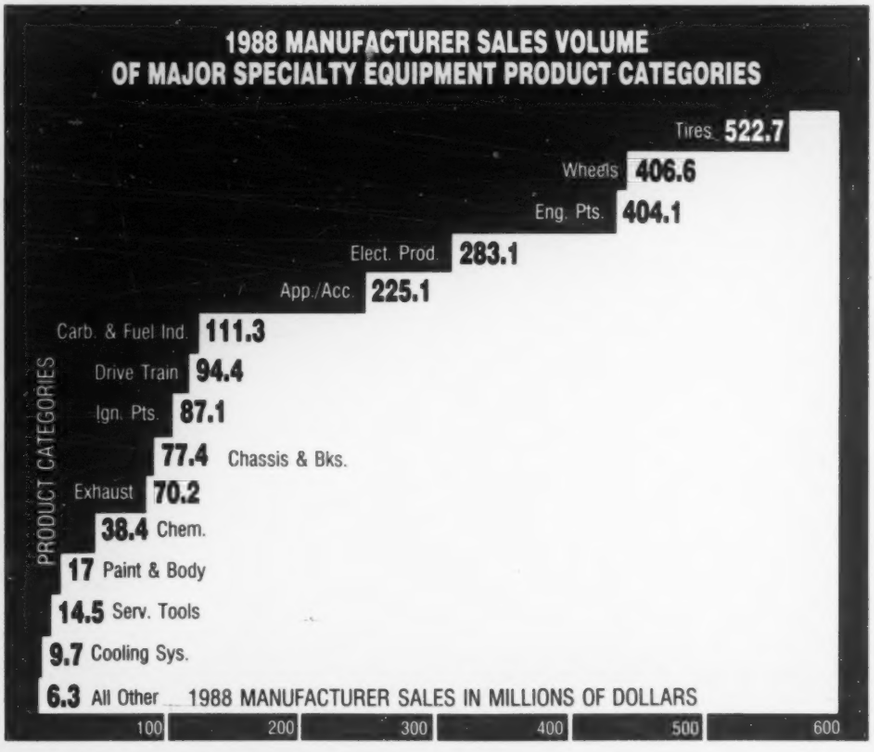
No Room For Complacency

So, despite their advantages, auto chains have no room to be complacent about their prospects in the specialty aftermarket. Burroughs Associates' most recent surveys show slow-downs in the market share gains of automotive chain stores. The chains got the easy growth made possible by stocking and displaying merchandise. Now, because of consolidation of performance retailers into chains owned by performance warehouses, more and more specialists will also have chain store power in purchasing and advertising. And, of course, these outlets are tough competition in terms of breadth of product line and product knowledge.

In addition, automotive chain stores can anticipate stiff competition from regional chains of tire dealers. Because of slower growth in the market for standard car and light truck radial tires, competition for these sales is intense and profit margins have suffered. Most tire dealers are seeking survival and growth in automotive services, particularly under-car services, such as brake, suspension and alignment work. In addition, many tire dealers are emphasizing sales of performance tires and wheels.

Tire stores can be tough competitors for this business as numerous performance retailers will attest.

So while the performance market booms along, the competition is also getting tougher. It's not only performance products that will be the winners, it will be true performance retailers as well. ■



No More Drain & Dump Oil, Environment & DIY Sales

You've heard a lot of rumors about the environment and oil. Here's a rundown of what's going on.

by **John Wirebach**
Senior News & Features Editor

In 1988, the oil industry refined about 1.1 billion gallons of lubricating oil for use in cars and trucks. Of this, some 700 million gallons of motor oil was sold at retail by installers, or over-the-counter to consumers.

The majority of used motor oil is disposed of properly, but as much as 400 million gallons of this wound up being dumped on the ground, down sewers, or in landfills.

Sad to say, most of the oil was dumped by DIYers.

A growing number of people are concerned about what happens to the environment as a result of this dumping. While the oil itself eventually breaks down in water or the ground, as much as 20% of modern motor oil is made up of additives which do not break down. In addition, used motor oil contains metals like lead, zinc, and chrome.

This is what can happen when oil gets into ground or surface water:

- A quart of oil can produce an oil slick approximately two acres in size.
- One part of oil per million parts of water can cause taste and odor problems in drinking water.
- 35 parts per million can kill fish.
- 50 parts per million can foul a water treatment plant.

An EPA Matter

So the sale, use, and disposal of motor oil has become a matter for the U.S. Environmental Protection Agency (EPA). Oil is a substance to be considered as hazardous waste. The Resource Conservation and Recovery Act (RCRA, Washingtonians say Rick-Rah) of 1986 makes the EPA responsible for hundreds of hazardous wastes. Simply put, old waste already in the ground is covered under the Superfund legislation, and new waste (or waste-to-be) like dumped motor oil is covered by RCRA.

However, using common sense for once, the EPA said, in effect, that while oil is a health and safety hazard, pasting the 'Scarlet Letter' of Hazardous Waste on used motor oil could hurt and harass attempts to recycle oil. Those who sell new motor oil and those who recycle it could face environmental liabilities, increased paperwork, high insurance costs, and handling complications.

In other words, while the act's intent was to encourage recycling of all kinds, there would be less incentive for people if oil were classified as a hazardous waste.

Recycling of oil is not just an environmental clean-up matter, it's also a conservation matter. Because world oil prices have stabilized at an acceptable level, oil conservation has been pushed to the back burner But, with the U.S. importing more than eight million barrels of oil a day (a little more than half of what we use daily), and many small U.S. wells closed, price and availability could change at any moment.

Re-Refining Is Almost Non-Existent

Out of each 42-gallon barrel of crude, only 2.5 quarts of lube oil can be refined (see chart for details). On the other hand, although the process is virtually non-existent today, one *gallon* of used motor oil can be re-refined into the same 2.5 quarts of motor oil, according to Evergreen Oil,

crankcase to the well-being of our collection tanks, to its shipment, can be documented. We're trying to set standards for handling used oil before it's handed down from above."

Jiffy Lube recycles some 20 million gallons of used oil a year. "One policy for 3% of the oil used in the country is better than 100 million policies. The EPA likes to hear that. If you have hazardous waste, the potential that 100 million DIYers can set their own policy about how to dispose of it has got to be scary. We're selling Jiffy Lube's management standards for used oil. Our policy keeps 3% of the motor oil sold safe, not hazardous to the environment."

One problem is that while Jiffy Lube's policy keeps standards on its own oil, the policy means that Jiffy Lube now refuses to accept used oil from DIYers. Thus, the 1,100 Jiffy Lube store disposal sites are no longer open to the DIYer.

Hindman said Jiffy's previous policy was "goodwill." However, pending legislation in some states, or in states with hazardous waste laws, means that recyclers must test oil carefully for contamination before accepting it for recycling. Too often, DIYers will throw degreasers, solvents, antifreeze/coolant, and practically any other liquid in with oil before disposing of the oil.

"We know the history of our oil; it's right out of crankcases. But by accepting what DIYers haul in, we can't guarantee the purity of the oil. And we can't jeopardize a 3,000 gallon tank for goodwill."

According to Larry Northrup, director of the Convenient Automotive Service Institute, Bethesda, MD, about half of all quick lubes still accept used oil from DIYers. However, Hindman feels most will follow Jiffy's example once they understand the liabilities.

If motor oil is branded a hazardous waste by either federal or state governments, DIYers may encounter difficulties finding legal places to dispose of their oil.

Oil, Environment & DIYSales

For instance, Mike Burke, vice president of Cal Auto Supply, San Jose, CA, said the state's new regulations haven't really changed oil selling policies except for disposal. "California has set up oil recycling stations. They're the only people that can accept oil from DIYers. We don't even have to post signs or anything. The only difference per se is where to refer the customer when he asks where to throw away the oil. It used to be any gas station, but now you have to be certified by the state. Other than that, there's no change at all."

What Might Happen

California might be a good microcosm of what will happen if the EPA makes oil a hazardous waste. At Jiffy Lube, Hindman noted, "Our insurance costs went up a bit, but with 120 stores in California we were able to soften the blow. We had no costs in adapting our system to the state. So it wasn't a major issue."

A spokesman for Grand Auto, Oakland, CA, said Grand recycles oil used in Grand service bays. However, policy on accepting DIY oil is "still under review. We have no formal policy on it."

Lief Peterson, hazardous materials specialist at the California Department of Health Services, Sacramento, CA, said disposal should not be a problem. "We have a hot-line 800 number listing the locations that will take oil by zip code. There're still quite a few gas stations, the community colleges, and official state sites. And there're always refuse collectors at the curb. DIYers can put oil in sealed containers right next to their garbage."

So we have an interesting situation. Properly disposing of used oil is good and most installers have already set standards and made plans for disposing of their oil. The net result of environmental laws on installer's oil has been slight. As Gary Hunt, vice president of merchandising at R&S Strauss, Union, NJ, which still has a policy of accepting used oil from DIYers, noted, one chief difference he can see is signage in the stores reminding DIYers that R&S accepts used oil. Another is paying a nickel a gallon to have it hauled away by a certified hazardous waste hauler. "We used to *get* a nickel a gallon for our oil."

In addition, neither Hunt or Yodzio or Burke saw many DIYers looking for places to dump their oil. That would seem to be the crux of the issue. Although estimates varied widely, as much as 70% of all motor oil is installed by DIYers. A great deal of consumer education and a readily available network of collection of used oil sites seems to be a necessity if we're going to end the motor oil mess. ■

ANOTHER OIL CONCERN

While motor oil is the major worry of oil companies, there is also concern among environmentalists about the high density polyethylene (HDPE) bottles used by all the major oil companies.

In all, 2.339 billion pounds of HDPE blow-molded plastic containers were sold in 1987. That's about 10 pounds per person. Of this total, about 39 million pounds were recycled.

The bottles used for motor oil (and detergents and cleaners) made up some 895 million pounds of the HDPE mass (if you want a number, there're about seven jugs to the pound). Milk jugs accounted for 740 million pounds. These two uses made up about 35 million pounds of the recycling.

The milk jugs are currently used for plastic lumber. During the recent APAA Show in Chicago, the city of Chicago dedicated a park made totally from plastic lumber.

Margo Siekirka, a sales rep for Eaglebrook Plastics, Chicago, one of half a dozen companies working on uses for HDPE, said that milk jugs were easier to use because there was no paint or dye contamination. Plastic lumber has several advantages over wood simply because it doesn't rot. However, it does lack the structural strength for, say, housing.

There has not been much work done with oil bottles yet, mainly because they are painted or dyed. Right now, oil and detergent bottles are made into flower pots, cartons, pipes, and trash cans.

And, as we went to press, Texaco announced that the Sonoco Graham Co., York, PA, will begin blow-molding HDPE plastic bottles for Texaco oil that are partially made from recycled plastic.

WHAT IS OIL USED FOR?

Automotive lube oils of all types accounted for over half of all refined lubricating oils in 1988. Of approximately 1.4 billion gallons, about half are sold retail (in quart bottles to DIYers and bulk to installers) for use in crankcases.

Use	1988 Gallons (add 000)	% Of Total
Automotive Engine Oil	1,100,937	46%
Aircraft/Two Stroke Engine Oil	21,576	1%
Transmission/Hydraulic Fluids	219,724	9%
Gear Oil	50,272	2%
Automotive Oil Subtotal	**1,392,509**	**58%**
General Industrial Oils	370,919	16%
Industrial Engine Oils	141,541	6%
Metalworking Oils	68,231	3%
Process Oils	417,387	17%
Industrial Oil Subtotal	**998,078**	**42%**
Grand Total	**2,390,587**	**100%**

Source: National Petroleum Refiners Association

Newark, CA. Evergreen is one of the few companies in the U.S. re-refining oil (most used oil is simply cleaned of water and debris and sold for fuel use in ships' engines). That's why the EPA and environmentalists would like to encourage recycling.

Susan Keene, environmental manager at Evergreen, said the company processed about 17 million gallons of oil in 1988. Most of it is sold to blenders for industrial uses, although there is no reason it could not be used for automotive oil blending. Evergreen plans on opening a second plant in southern California in the near future.

The EPA's ruling on oil as a hazardous waste was immediately challenged by environmentalists. And, in a court case—Hazardous Waste Treatment Council vs. U.S. EPA (December 1988)—the District of Columbia Appeals Court ruled the EPA must base its decisions on health and safety considerations only, and ordered it to re-study the issue.

That's where the federal standards remain at the moment. The EPA may make a decision by the end of this year and, based on the court's ruling, the EPA would have to classify oil as a hazardous waste. But, several senators and congressmen have introduced bills that would prohibit the EPA from labeling used oil a hazardous waste. In addition, some of the bills would require the government to use recycled oil wherever possible as an incentive to re-refine oil.

One example is a bill (S. 1181) introduced by Senator John Heinz (R-PA) that will require petroleum refiners to recycle at least 33% of the oil they sell the first year and 2% more each succeeding year. However, the bill would allow refiners to buy recycling credits from recycling companies. Another bill introduced in the House by Ike Skelton (D-MO) would require the EPA to develop management standards for recyclers of used oil rather than label it hazardous waste.

The consensus in Washington is that Congress will pass some kind of bill controlling oil before the EPA rules, and that the EPA will be happy for it to happen that way.

State Legislation

But, several states have already passed legislation making motor oil a hazardous waste. At this writing, California, Massachusetts, Missouri, New Jersey, and New York have listed oil as a hazardous waste, and several more states are considering such legislation.

In Massachusetts, Cynthia Bellamy, regional planner for the State's Division of Hazardous Waste, said the law was not new. "It's been on the books since 1974: Chapter 21, Section 52A. It says anyone who sells oil has to install storage tanks and accept up to two gallons of used oil with proof of purchase. But we really couldn't enforce this. This year, we've made an effort, because we had several calls from citizens who've been saving their oil and don't know what to do with it."

So this Summer, Bellamy and her staff inspected about 20 retailers for compliance. They chose chain stores such as ADAP and the major discount stores because if one store in the chain is in compliance, the chain can bring all stores into compliance.

"Mostly, we found what we already knew," Bellamy said. "Some chains like Sears already accept oil. ADAP has had a policy of accepting oil for two years. K mart takes it, Skaggs has begun accepting it."

Wayne Yodzio, general manager of ADAP, Avon, MA, said complying with the law was not difficult. "Basically, we put signs in the oil section instructing consumers that we're a waste oil center. With a sales receipt, we accept oil in a sealed container. We, in turn, pour it into a 55-gallon drum in our back room that's clearly marked hazardous waste. Every two weeks a recycler empties our drums."

It's necessary to put the drums inside the store since if the container is outside the building, the chain would have to provide secondary containment and lock the barrel so people can't put other things in it. Yodzio said the only problem is cost. "It costs 45-cents a gallon now because there're only two companies in Massachusetts doing it. But we don't get anywhere near 10% of the oil back. We sell maybe two million gallons a year and there's no way we get 100,000 gallons back. But if the loads get heavier, we might buy some suction machines to mount on our trucks and ship it ourselves."

WHAT'S IN A BARREL OF OIL?

An average 42-gallon barrel of crude oil yields only 2.5 quarts of lube oil when it's refined. So, it takes two barrels of $17.84/barrel (U.S wellhead price 9/28/89) crude oil to refine enough motor oil for the average DIYer to change his oil. You might pass that figure on to the next DIYer who complains about paying 99-cents for a quart of oil. Here's how the rest of the barrel breaks down:

Almost 20 gallons of gasoline
12 gallons of heating oil
Almost four gallons of jet fuel
Almost four gallons of other petroleum products (road asphalt, coke, kerosene, etc.)
2.5 quarts of lube oil
Two gallons are lost in processing

Source: American Petroleum Institute, Washington, DC

Move In Phases

Bellamy said her office was moving in phases. "We want to set up a sufficient network of centers for used oil. In the next phase we might get up to 1,000 centers. Don't forget there're almost 10,000 outlets in the Commonwealth with permits to sell oil. Once we have a network of centers to accept oil, then, we plan a public education campaign. You have to work for the long haul."

In the next phase, Bellamy said her division would probably concentrate on hardware stores, marinas, and supermarkets. As Yodzio noted, a benefit of the law for auto stores might be taking drug and grocery stores out of the oil business. In addition, if more stores accept oil, the number of recyclers might increase, and lower the collection price. Still, as Bellamy conceded, there is a lack of funding and manpower to enforce the law.

But, Massachusetts might pass even tougher laws on motor oil sales. A bill, introduced by state legislator Steven Angelo (D-Saugus) would place a 50-cents a quart deposit on the oil (not the bottle) bought by DIYers. The DIYer would get his money back when he brought his oil back. Those who didn't would forfeit the deposit to the state.

Bob O'Koniewski, senior research analyst for the State Legislature's Committee on Natural Resources and Agriculture, said, "The feeling among many regulators is that if stores don't want to take responsibility for the oil they sell, they should not be in the oil business."

O'Koniewski cited the fact that outside of Boston, virtually every Massachusetts town is dependent upon well water, and oil leaching into the soil is a prime contaminant of wells. "The law's not working now. This law, at least, gives people an incentive to return oil. We also want to educate consumers. People don't know how bad oil is on the environment. They throw it away: out of sight, out of mind."

Although the bill has been introduced twice and never brought to the floor of the legislature, O'Koniewski is more optimistic this year since a key sponsor is Ken Lemanski (D-Chicopee), a vice chairman of the Ways and Means Committee.

Needless to say, the state gas station associations, the quick lubes, and the petroleum industry are solidly behind the bill.

Quick Lubes Set Standards

While the quick lube industry might have ulterior motives in supporting bills that might discourage DIY sales, there's no doubt that the industry has taken the lead in setting standards for handling used oil.

At the largest quick lube, Jiffy Lube, Baltimore, Mike Hindman, chairman of Jiffy Lube's EPA Committee, noted, "The entire movement of our oil from

REGIONAL MARKETS: A LOOK AT THE SPANISH WEST

by **P. Royall Katcher,** Research Editor

The area we call the "Spanish West" runs along the Mexican-American border from the southern rim of Texas to the Pacific coast of California. It's hot and dry. The geography includes mountain ranges, deserts, sea coasts, major cities, and small towns.

The thing that distinguishes Spanish West from the rest of the U.S. is the heavy Hispanic—and in this area that largely means Mexican—influence. Until 1848 and the treaty that ended the Mexican War, this land was owned by Mexico. Today, some 43% of the area's population still claims Hispanic origins. And, according to Strategy Research Corp., New York, some 91% of those claiming Hispanic origins in the U.S. Southwest give Mexico as their country of origin.

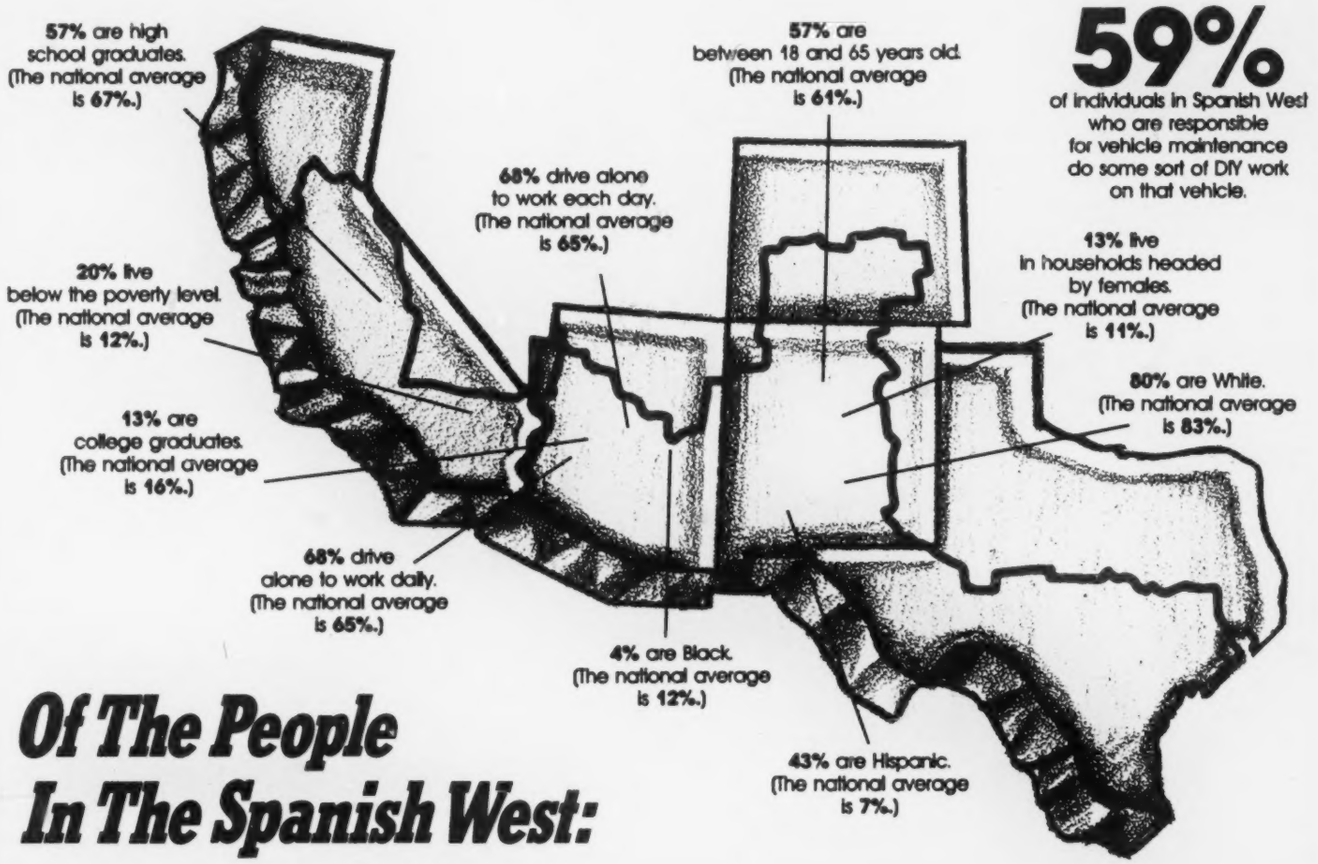
Therefore, much of what is true of Mexicans as a whole is true of Spanish West. There is a high percentage of Roman Catholics in the area. Spanish is a common second—and often first—language in the area. Family-oriented activities are among the most popular activities. Hispanics tend to prefer larger American-made cars, and regional car DIY ownership bears this out.

Finally, it's a fast-growing area, thanks in large part to the Hispanic birthrate. The National Center of Health Statistics, Washington, DC, reports an 11% increase in Hispanic births between 1983 and 1985, the most recent year for which data is available. Non-Hispanic births in the same period were up only 3%. Moreover, 40% of these Hispanic births were in California and 25% in Texas, mostly in Spanish West.

Hispanics are not the only sizeable ethnic group in this area. Large sections of the country are inhabited largely by Native Americans, mostly in the South Western states of Arizona and New Mexico.

Despite cultures which are often considered conservative, many of the nation's trends have their birth in Spanish West. While Hispanic and Native American mores may change slowly, Los Angeles positively throbs with new ideas and ways of doing things. There, as throughout much of Spanish West, the automobile has become vital to the local way of life. It's significant to note, therefore, that one of the country's leading auto parts chains, The Pep Boys, has had some of its fastest growth in this area. And, the nation's largest chain, Northern Automotive, has its headquarters in Spanish West. The area also contains the largest single concentration of automotive hobby and performance market manufacturers in the country.

Look for more automotive aftermarket retailing to come out of Spanish West in the future. ■


57% are high school graduates. (The national average is 67%.)
57% are between 18 and 65 years old. (The national average is 61%.)
59% of individuals in Spanish West who are responsible for vehicle maintenance do some sort of DIY work on that vehicle.
68% drive alone to work each day. (The national average is 65%.)
13% live in households headed by females. (The national average is 11%.)
20% live below the poverty level. (The national average is 12%.)
80% are White. (The national average is 83%.)
13% are college graduates. (The national average is 16%.)
68% drive alone to work daily. (The national average is 65%.)
4% are Black. (The national average is 12%.)
43% are Hispanic. (The national average is 7%.)
Of The People In The Spanish West:

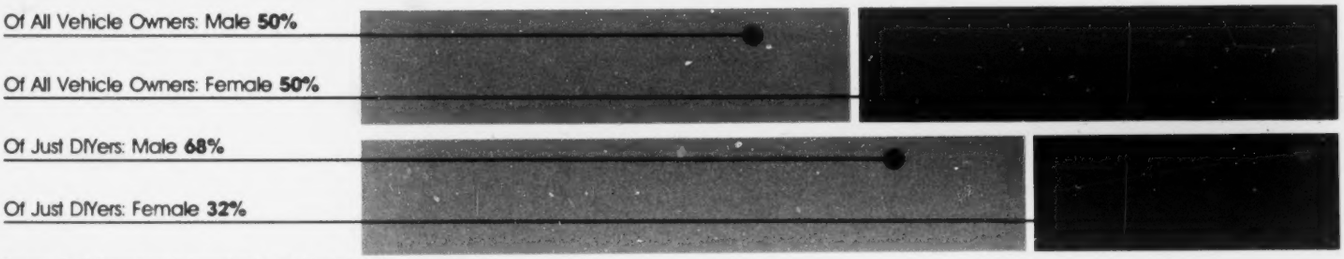
In all, 59% of those who live in Spanish West and are responsible for taking care of a motor vehicle do some of maintenance work themselves. Another 11% aren't actually responsible for maintaining a vehicle, yet also do-it-themselves. These figures are virtually the same as the percentage of DIYers nationally.

Of all Spanish West DIYers, the largest single group by age, 28%, are between 25- and 34-years-old. Some 60% of them spend between one and five hours during the average month performing vehicle repairs or maintenance. Almost half, 47%, say they can do only "some" automotive DIY jobs, while another 30% say they can do "most" automotive DIY jobs.

While 13% of Spanish West inhabitants have graduated from college, 24% of Spanish West DIYers claim the same credentials. A quarter of Spanish West DIYers have never been married, while 56% are currently married. Some 28% make less than $29,000 annually.

SPANISH WEST: GENDER

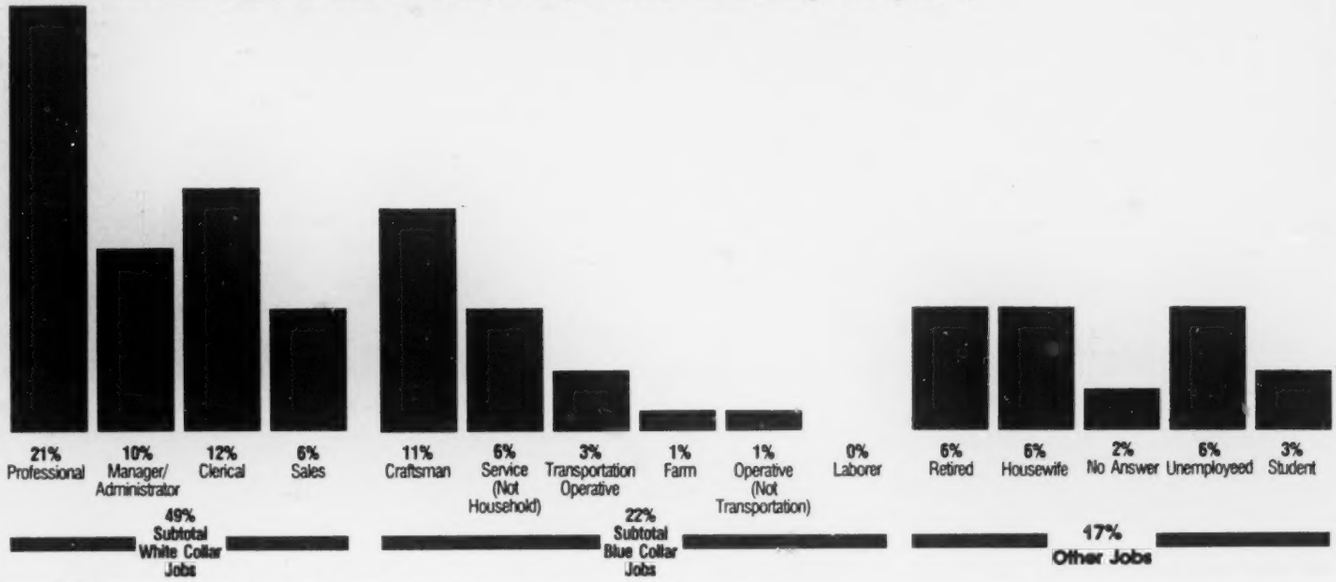
Males and female vehicle owners are equally divided, but more men do-it-themselves.



Source: 1989 Consumer Automotive Repair Study (CARS)
May not total to 100% due to rounding

SPANISH WEST: DIYERS & THEIR PROFESSIONS

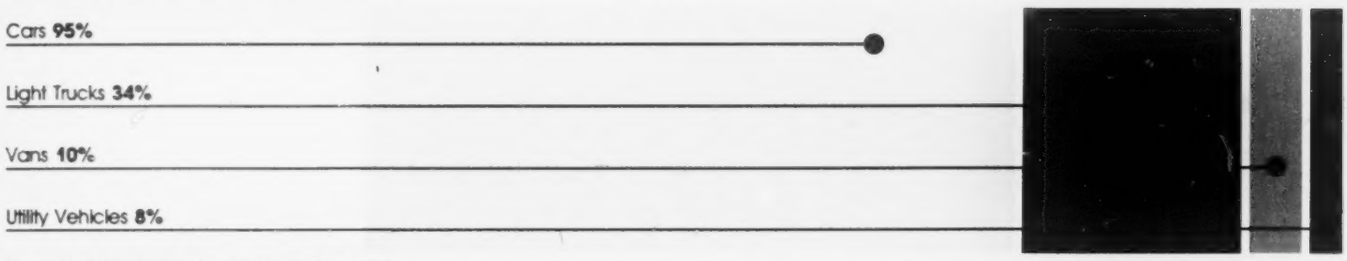
Almost half the area's workers now have white collar jobs, despite the traditional local large farming industry.



Source: 1989 Consumer Automotive Repair Study (CARS) May not total to 100% due to rounding and multiple answers

SPANISH WEST: DIYER VEHICLE TYPES

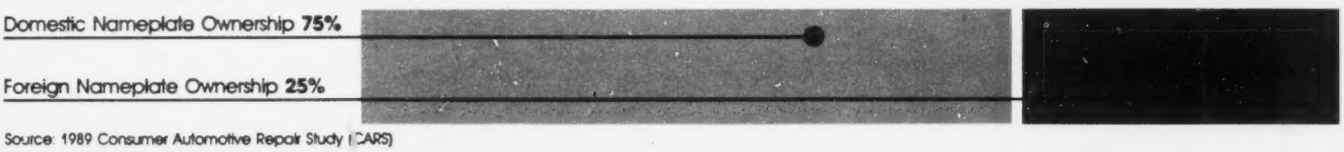
A light truck can be found in over a third of the households in which a vehicle is owned and in which a DIYer lives.



Source: 1989 Consumer Automotive Repair Study (CARS)
May not total to 100% due to rounding and multiple answers

SPANISH WEST: DIYERS & THE VEHICLES THEY OWN

Of Spanish West DIYers, vehicles with a domestic nameplate are clearly more popular than vehicles with a foreign nameplate, even though parts of California are heavily populated by foreign cars.



Source: 1989 Consumer Automotive Repair Study (CARS)
May not total to 100% due to rounding

REGIONAL MARKETS:

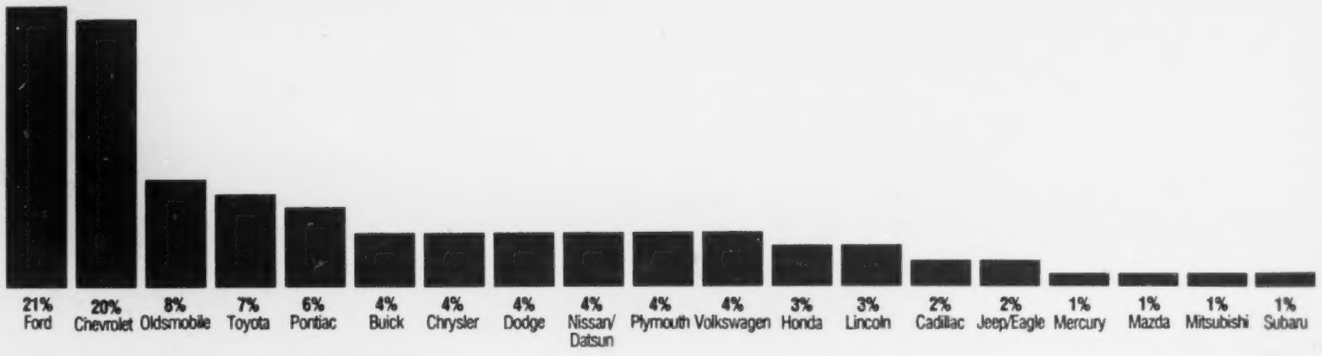
In terms of enjoying DIY work, 45% enjoy it "somewhat," while another 20% enjoy working on their cars a lot. Only 20% are doing less automotive DIY work than they did five years ago. Of this group, a quarter say their involvement has decreased because of complex technology while another quarter simply dosn't have as much time for DIY. Of those who are doing more, almost half, 45%, do it for the fun of it.

In all, 41% of Spanish West DIYers maintain only one vehicle. Light trucks are very popular in Spanish West. Therefore, it's no surprise that almost half, 49%, of light truck maintainers report that their light truck is their only vehicle. Another 38% maintain two vehicles.

Dry, warm conditions allow vehicles to stay on the roads longer in Spanish West than in many other areas of the country. In all, 35% of Spanish West DIYers maintain cars made in 1980 or earlier. Of light truck DIYers, 39% report their light trucks were made prior to 1980. Almost all of them are domestic nameplates. These prime DIYer vehicles ensure automotive parts store sales in the area. ■

SPANISH WEST: DIYERS & THEIR VEHICLES

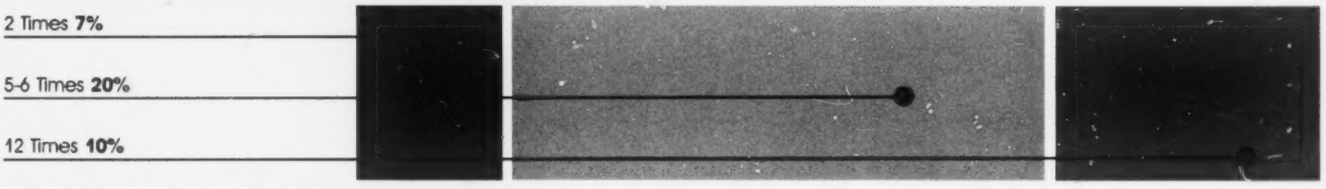
Domestic vehicles are the most popular among DIYers. Here's a list of the most popular makes and the percentage of DIYers who own them.



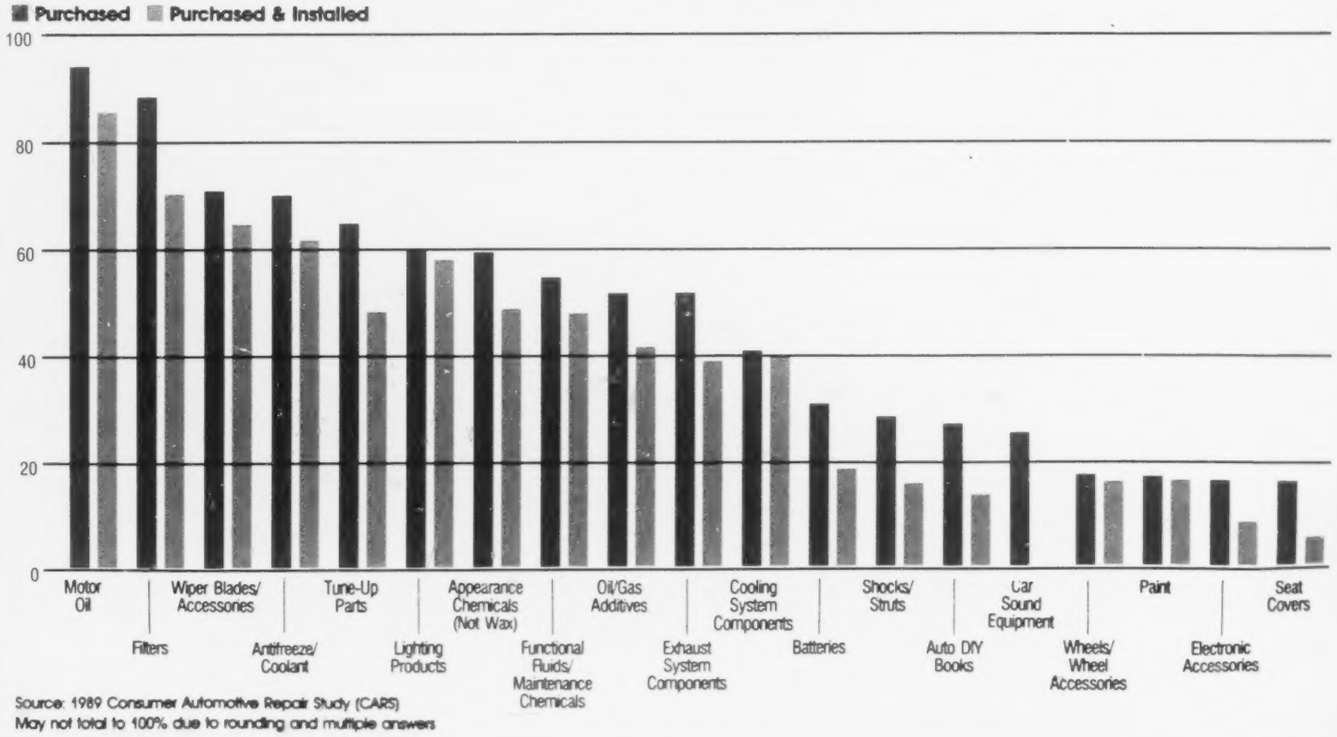
Source: 1989 Consumer Automotive Repair Study (CARS)
May not total to 100% due to rounding and multiple answers

SPANISH WEST: SHOPPING FREQUENCIES

Of Spanish West DIYers, 20% of them shop for automotive products five or six times a year.



Source: 1989 Consumer Automotive Repair Study (CARS)
Does not total to 100% due to omitted responses



Source: 1989 Consumer Automotive Repair Study (CARS)
May not total to 100% due to rounding and multiple answers